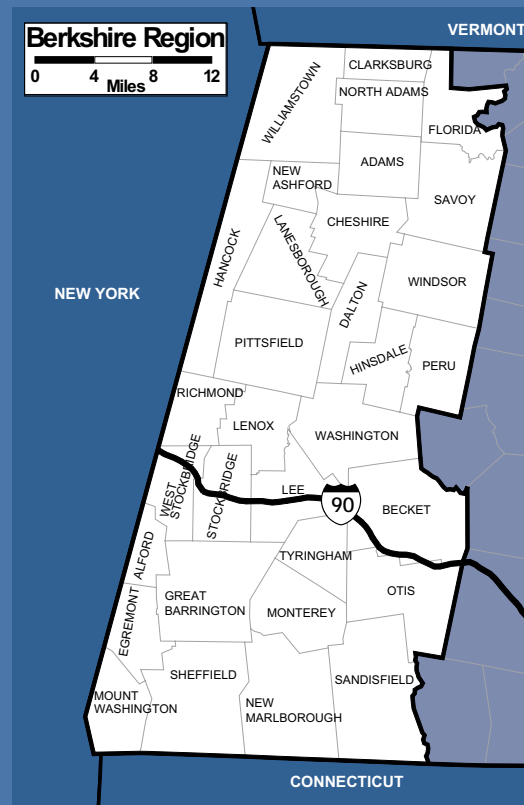
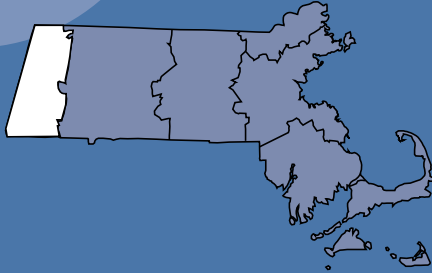


# berkshire region



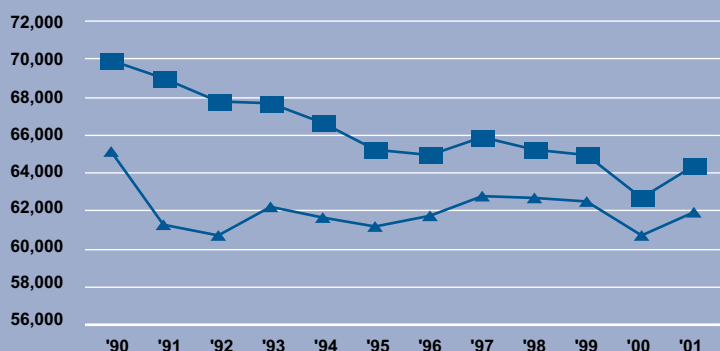
Berkshire County is set off from the rest of the Commonwealth by rolling mountains running north and south and wide valleys offering spectacular natural beauty. This Region has been home to manufacturing plants that grew up along the Housatonic River and in the Region's small industrial cities and towns. This landscape increasingly provides the backdrop for a thriving tourist industry that draws heavily upon a sophisticated, high-income audience, primarily from New York and Connecticut. These tourists come each summer to hear classical music, see world-class dance, enjoy fine art, and rejuvenate in the spas that offer alternative approaches to health and beauty. Each fall, the Berkshires

landscape explodes in color and draws people who come to view the spectacular foliage. The winter offers cozy inns, skiing, and its own getaway attractions. Especially in the southern part of the Region, more and more tourists have become part-time residents and now own second homes.

The Berkshire Region is less integrated into the social and economic fabric of Massachusetts than any other in the State. Television and radio stations broadcast from across the border. Pittsfield, its largest city, is typically included in a marketing region with Albany, New York. With neither a major airport nor rail transportation to tie it into the rest of the Commonwealth, the Massachusetts Turnpike in the southern part of the county and Route 2 in the north are the major links to the rest of the State. But like the Berkshire Mountains and Housatonic River, this Region and its economy runs north and south.

figure 11-1

## Berkshire Region Labor Force and Employment



Source: Bureau of Labor Statistics, LAUS (Household)

■ Labor Force    ▲ Employment

## Economic Overview

The more recent industrial development of the Berkshires was based, in large part, on the invention of the electric transformer. Sprague Electric and General Electric were major employers. When it was no longer practical or economical to build large transformers in Pittsfield or North Adams, these industries moved out and the economy struggled to find a new base. Manufacturing for the plastics, paper, and defense industries then drove the local economy. With the end of the Cold War, however, the defense business lost nearly 10,000 high-paying jobs. Manufacturing employment continues to shrink here as in the rest of the State.

The growth in business services, health services, educational services, and trade over the years has not been able to replace these higher-paying manufacturing jobs. Travel and Tourism benefits the owners of many small businesses, but their employees tend to have low earnings that are absorbed by high housing costs.

One bright spot has been in the establishment of companies in the software and information systems sector. But the collapse of the IT bubble in the stock market has left the potential for these companies unclear. As the national economy recovers, the core of small IT firms in the Region may survive, but that remains to be seen.

### Employment<sup>1</sup>

Employment patterns in the Berkshires are dominated by the sharp cutbacks in its old-line manufacturing industries. Although one would expect both the workforce and employment to grow during the expansion stage of the business cycle, the Berkshires saw both decline over the past decade.

In 1990, the Berkshire's economy had a labor force of 69,900, of which 65,170 were employed. In 2001, at the end of what was the longest period of sustained economic growth in our nation's history, the workforce was approximately 64,350, with roughly 62,000 employed (see figure 11-1). What needs to be kept in mind is the dramatically different pattern – one of growth, especially after 1995 – seen in other regions and the Commonwealth as a whole during this period.

### Income

Consistent with stagnating employment and the loss of well-paid manufacturing jobs, average real<sup>2</sup> wages also stagnated. While there was a small rise from 1997 on, wages grew very slowly since 1990. At the end of the decade, they averaged \$29,979, compared to \$40,127 for the Commonwealth as a whole (see figure 11-3).

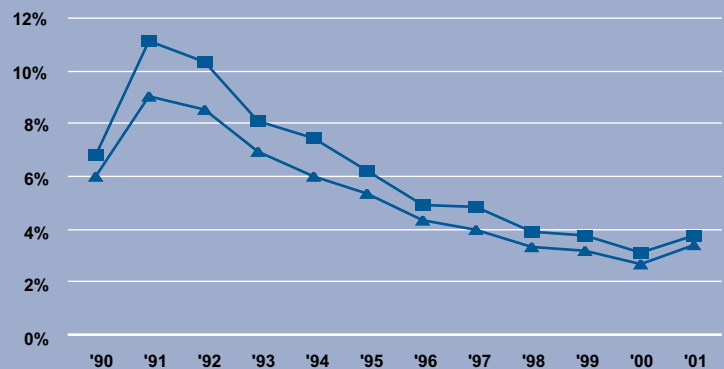
<sup>1</sup> The data in this section on the number of people employed, in the labor force, and unemployed are taken from the household survey. They therefore will not match the employer-based data used in other sections that report the number of payroll jobs.

<sup>2</sup> The U.S. consumer price index (CPI) was used to adjust nominal wages for the effects of inflation.

<sup>3</sup> Employment is measured here using the Bureau of Labor Statistics, ES-202 series, which are employer reports of payroll jobs rather than household-based measures of employed or unemployed people. As a result, the numbers will differ from employment figures based on the household survey presented in other sections of the document.

figure 11-2

### Berkshire Region Unemployment Rate

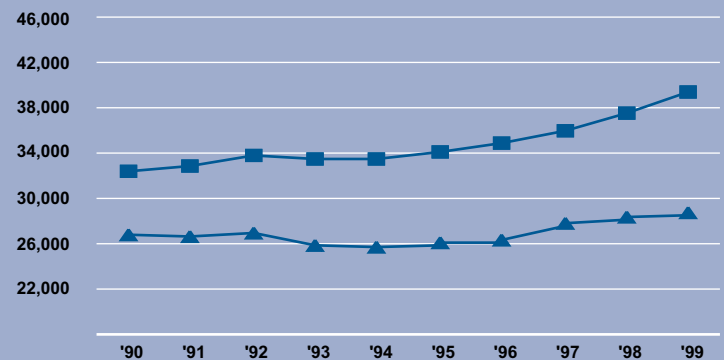


Source: Bureau of Labor Statistics, LAUS (Household)

■ Berkshire Region ▲ Massachusetts

figure 11-3

### Berkshire Region Average Real Wages



Source: MA Division of Employment and Training, ES-202

▲ Berkshire Region ■ Massachusetts

figure 11-4

### Berkshire Region Change in Employment, by Major Industry, 1993 to 2000

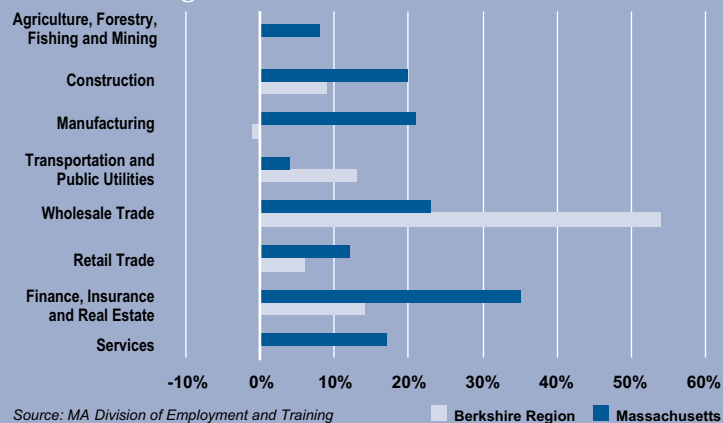


Source: MA Division of Employment and Training

■ Berkshire Region ■ Massachusetts

figure 11-5

### Change in Real Average Pay, by Major Industry, Berkshire Region: 1993 to 2000



### Employment by Major Industry Sector

Compared with the State economy, employment<sup>3</sup> growth between 1993 and 2000 was slower in all categories except government and agriculture (and the actual size of the agricultural sector is rather small). There was some increase in wholesale trade in terms of number of firms and average pay. However, growth in the Region's economy lagged behind the rest of the State (see figure 11-5). Local business leaders confirm a strong economic connection to the Albany area, which had poor economic growth during this period. It appears that this connection did not help bolster the Berkshires economic base.

The most important sectors in the economy in terms of employment are health care, education, business services, and other general services (see figure 11-6). Retail trade provides many jobs that are related to the flow of tourist dollars into the Region. Manufacturing is most heavily concentrated in plastics and paper manufacturing.

figure 11-6

### Berkshire Region Employment by Major Industry

	1993	2000	Percent of 2000 Total
Agriculture, Forestry, Fishing, and Mining	482	692	1.1
Construction	2,300	3,157	5.1
Manufacturing	10,184	8,927	14.4
Transportation and Public Utilities	2,188	2,407	3.9
Wholesale Trade	1,374	1,542	2.5
Retail Trade	12,310	13,646	22.1
Finance, Insurance, and Real Estate	2,308	2,393	3.9
Services	23,148	26,683	43.2
Government	1,631	2,379	3.8
<b>Total</b>	<b>55,925</b>	<b>61,826</b>	<b>100.0</b>

Source: Division of Employment and Training, ES-202

### The Berkshire Region Export Sector

As explained in Chapter 2, a healthy export sector is critical to a region's economic success. The sidebar in that Chapter on "The Massachusetts Export Sector" presented six large industry clusters as the key components of the Commonwealth's export sector. These clusters were identified in earlier State policy documents and studies, specifically *Choosing to Compete*<sup>4</sup> and the more recent *Knowledge Sector Powerhouse*.<sup>5</sup> They include four knowledge-based clusters – Information Technology, Health Care, Financial Services, and Knowledge Creation. They also include two clusters that are less knowledge intensive: Travel and Tourism; and "Traditional Manufacturing" (manufacturing industries, such as paper, plastics and rubber, metalworking, and machinery, which are not part of the Information Technology or Health Care clusters). The discussion below uses this framework to explore the Region's export sector.

figure 11-7

### Employment Change in the Commonwealth's Export Clusters: Berkshire Region, 1993 to 2000

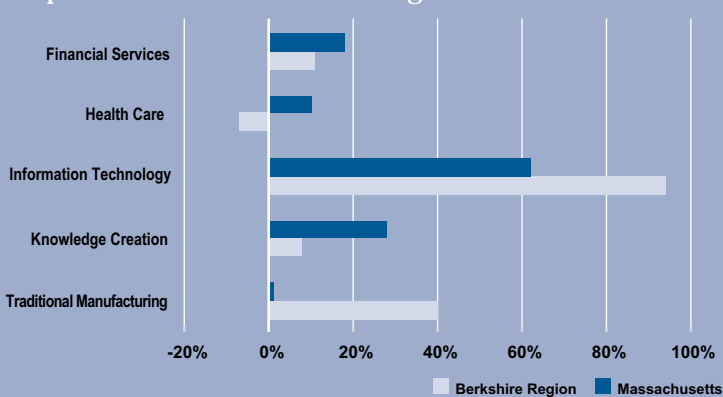


Figure 11-7 shows export cluster growth in the Region as compared to Massachusetts. When interpreting the results of our analysis, please note that the employment figures reported for these large industry clusters are not meant to represent export sector jobs. The Health Care cluster, for example, includes physicians serving the local population. A finer picture of the composition of the Region's export sector, and the extent to which the Berkshires have become part of the wider knowledge-based economy, is developed in the discussions that follow. Also, note that some of the following charts show no data for some industries in the export clusters. This does not necessarily mean that the industry is absent. Federal rules prohibit access to data that could provide information about individual firms. The lack of industry data could be due to this limitation.

Encouragingly, all export-oriented clusters, with the exception of Health Care, grew during the 1993 to 2000 expansion. Information Technology (IT) showed the most growth, nearly doubling in size. It may well be that this cluster can serve as a new growth engine for the Region.<sup>6</sup> More modestly, it could help stabilize the regional economy by countering declines in other sectors.

## Knowledge Creation

The Berkshires shows promise in the Knowledge Creation cluster of activities. Other than in the areas of legal and management services, all areas of knowledge creation saw their employment increase in the Region. In virtually all cases, however, this growth was at a lower rate than for the State as a whole (see figure 11-8).

## Information Technology<sup>7</sup>

In the small but potentially dynamic information technology area, the Berkshires showed growth and promise, especially in computer services<sup>8</sup>(see figure 11-9). The Region did not experience discernable employment increases among manufacturers of computer hardware, communications hardware, or electrical and electronic equipment.<sup>9</sup>

## Financial Services

The Berkshire Region exhibited employment growth in all of sectors of the financial services cluster. The most dramatic growth came in securities and exchange services, which grew by over 80 percent between 1993 and 2000 (see figure 11-10). Insurance carriers are most likely to contribute to its export base and employment in this industry expanded in the Region while declining statewide.

## Health Care

Healthcare is the largest employer in almost every Massachusetts Region. Berkshire County is no exception. But there is a difference between providing health care for the resident population and providing health-related products and services to people outside the Region to generate income. There is no dis-

figure 11-8

## Knowledge Creation: Change in Employment, Berkshire Region: 1993 to 2000

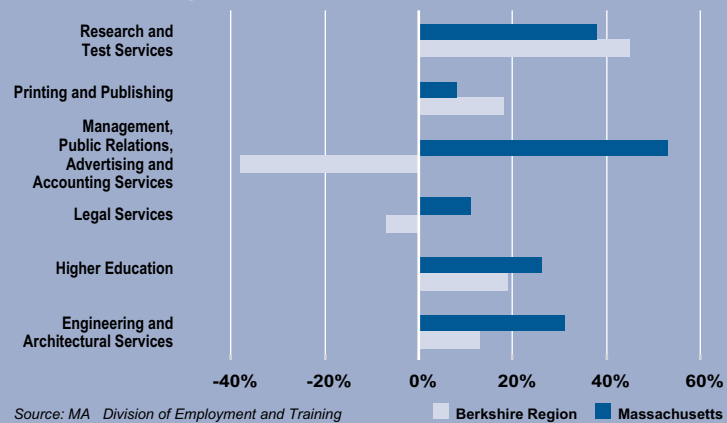


figure 11-9

## Information Technology: Change in Employment, Berkshire Region: 1993 to 2000

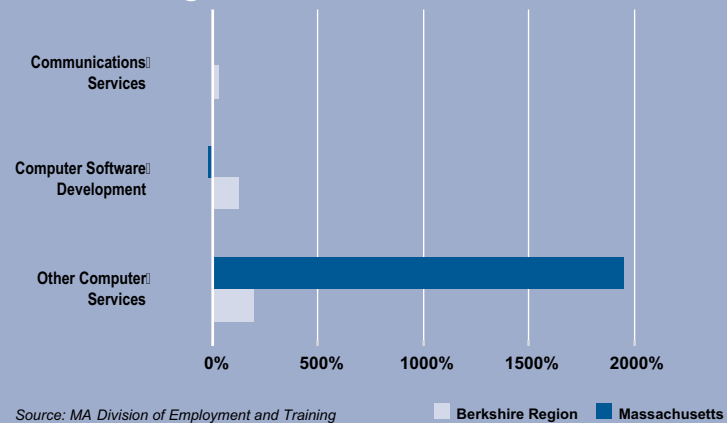
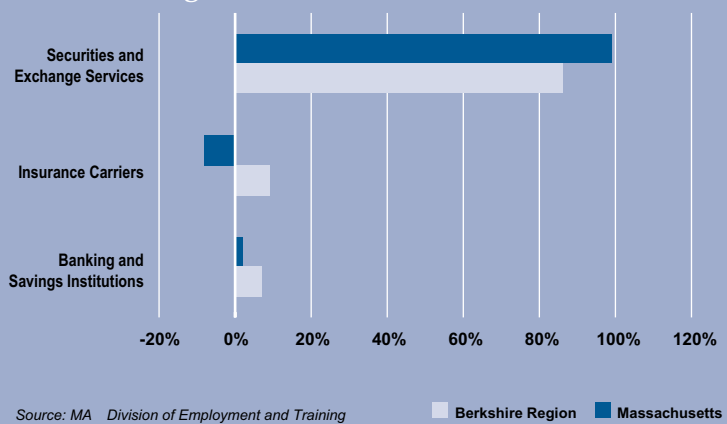


figure 11-10

## Financial Services: Change in Employment, Berkshire Region: 1993 to 2000



<sup>4</sup> Massachusetts Executive Office of Economic Affairs and the University of Massachusetts, (Boston, 1993).

<sup>5</sup> Robert Forrant, Philip Moss, and Chris Tilly, (Boston: UMass Donahue Institute, 2001).

<sup>6</sup> Recent research provides some reason for optimism. Between 1993 and 2000, "technology enterprise" employment grew 132 percent and annual payroll, 190 percent. See Steven Ellis and Rebecca Loveland, *Technology Enterprise in Berkshire County: Economic Analysis*. UMass Donahue Institute, February 2002.

<sup>7</sup> Communications Services comprised three business units in 2000 and Other Electronic and Electrical Equipment comprised seven units in 2000. Data describing these sub-groups in the Berkshires are not available. The Massachusetts Division of Employment and Training suppresses data when there are fewer than three business units in a 4-digit SIC class, to preserve employer confidentiality.

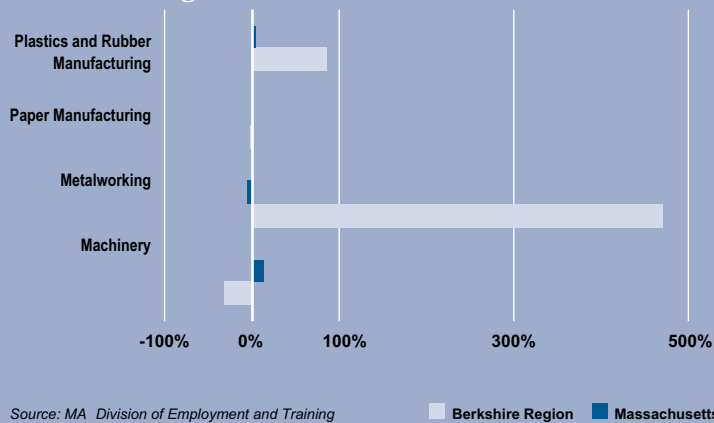
<sup>8</sup> The KSP Subgroup (of the IT Group) "Other Computer Services" comprises the following 4-digit SIC's:

7373 Computer integrated systems design; 7374 Data processing and preparation; 7375 Information retrieval services; 7376 Computer facilities management; 7377 Computer rental and leasing; 7378 Computer maintenance and repair, and 7379 Computer related services not elsewhere classified.

<sup>9</sup> The Massachusetts Division of Employment and Training suppresses data for these industries to preserve employer confidentiality.

figure 11-11

## Traditional Manufacturing: Change in Employment, Berkshire Region: 1993 to 2000



sector continued to shed jobs during the recovery running from 1993 to 2000. The real bright spots in manufacturing have been precision metalworking and plastics. Both of these segments of the economy have done well. The Berkshire Plastics Network or Cooperative is a model for other industries. Through a consortium, companies with specialized knowledge and skills can be matched up with a wide variety of inquiries. The result is more productivity and more business for everyone.

The same is true in metalworking. Like most of Western Massachusetts, the Region is home to many talented craftsmen who have worked with precision metal manufacturing for many years. While the nature of the technology has been changing to include more computer-controlled machines, there is still a base of skill and design necessary in industry available in the Region (see figure 11-11).

### Travel and Tourism

The growing impact of the Travel and Tourism cluster in the Berkshires can be seen in the experience of the Region's hotel industry. In the year ending June 2000, hotels and motels in Berkshire County grossed an estimated \$77.6 million in room sales, up 27 percent over the year ending June 1997.<sup>12</sup> These expenditures define a conservative estimate of traveler spending. This is because total spending typically includes meals, retail purchases, and attractions, in addition to spending on accommodations.

Room sales growth, which lagged behind statewide growth rate of 37 percent, supported limited growth in the industry. Between 1997 and 2000, the number of hotels increased 1 percent, to eighty-two. Employment expanded 2 percent, to 1,995 workers. Pay in the industry is low and frequently offers mostly part-time jobs. Yet average real wages increased 26 percent in this period, to \$19,636.

## Demographics

### Population

The Region continues to lose population, having declined by 3.2 percent since the 1990 Census. The shape of this population becomes clearer with an examination of age distribution and racial composition (see figure 11-12).

### Resident Age Distribution

The average age of the Region's residents rose over the past decade. This is due partly to out-migration of the younger generation and partly to the aging of those who have stayed. A lack of good-paying jobs, social opportunities, and affordable homes makes the retention of young people particularly difficult.

Since 1990, the size of all age groups younger than 45 has declined. The most dramatic decline has been in the 19-24 group,

figure 11-12

## Berkshire Region Demographic Summary

	Berkshire Region			MA		
	1990	2000	Change	1990	2000	Change
<b>Total population</b>	139,352	134,953	-3.2%	6,016,425	6,349,097	5.5%
Age (share of total)						
Under 18	22.7%	22.4%	-0.4%	22.5%	23.6%	1.1%
19-24	10.9%	8.4%	-2.5%	11.8%	9.1%	-2.7%
25 to 44	29.8%	26.4%	-3.4%	33.6%	31.3%	-2.2%
45 to 64	19.7%	24.9%	5.2%	18.5%	22.4%	3.8%
65 and over	16.9%	17.9%	1.1%	13.6%	13.5%	-0.1%
Race/Ethnicity (share of total)						
White	97.0%	95.0%	-1.9%	89.8%	84.5%	-5.3%
Black	1.8%	2.0%	0.2%	5.0%	5.4%	0.4%
Asian	0.7%	1.0%	0.3%	2.4%	3.8%	1.4%
Other race	0.5%	0.8%	0.3%	2.8%	4.0%	1.2%
Two or more races*	na	1.2%	na	na	2.3%	na
Hispanic (of any race)	1.0%	1.7%	0.7%	4.8%	6.8%	2.0%

\* the category of persons with two or more races did not exist in the 1990 Census

Source: U.S. Bureau of the Census, Decennial Population Census

cernable activity in the medical instruments, drugs, and pharmaceuticals industries.<sup>10</sup> This is an industry where the Commonwealth generates significant income through exports. Health services have also declined in terms of employment as the population has decreased. The area of drugs and pharmaceuticals, increasingly related to biotechnology, does not exist in any significant way in the Region. What does exist, however, is a thriving trade in alternative health therapies and spas. This is an interesting aspect of the tourist trade. Many of the upscale visitors to the Berkshires come to be treated or to enjoy alternative health activities and treatments. This is one of the potential growth industries in the Region, and one that can generate substantial amounts of regional income.

### Traditional Manufacturing

As discussed above, the Region lost a significant number of manufacturing jobs in the recession of the early 1990s, and the

which declined by 25 percent. The 25-44 age group, often cited as the group being the most economically dynamic, declined by over 14 percent (see figure 11-12). The loss of significant numbers of younger residents of working-age represents a serious workforce development challenge, and a long-term obstacle to growth. As older members of the regional workforce age and begin to retire in coming years, the significance of these population losses will become more apparent.

While the Region's population has a smaller proportion of minorities than the rest of the State, this is changing. In fact, the entire decline in the Berkshire population occurred among the White racial group. All of the non-white racial groups—Black, Asian, and all other racial groups—grew in size. This includes a sizable increase in the Hispanic population<sup>13</sup> (see figure 11-12).

### Housing

Market dynamics have placed pressures on middle-income family home ownership. While in 1990 the owner-occupancy rate in the Berkshires significantly exceeded that of the State as a whole, it fell below the statewide average over the past ten years (see figure 11-13). Housing costs vary within the Region with higher costs in the southern part of Berkshire County driven by high demand for second homes.

### Regional Strengths and Competitive Advantages

Natural beauty and an exceptional cultural base have been the key growth engines in the Region's export sector over the past decade, and this is the way things are likely to continue. The single most important attribute this Region possesses is its fine quality of life and natural environment.

However, the Berkshires have no special advantages over other regions when it comes to information technology or any of the cutting-edge applications of scientific breakthroughs. It lacks a major research university and it has no special access to major markets. Its workforce is aging and declining in number. Given its low real average wages compared with the rest of the State, the cost of housing is high. These are significant barriers to knowledge-intensive economic growth in the Region.

Looking forward, Berkshire County must build upon its principal strengths. These include high quality of life, natural beauty, and outstanding cultural resources.

figure 11-13

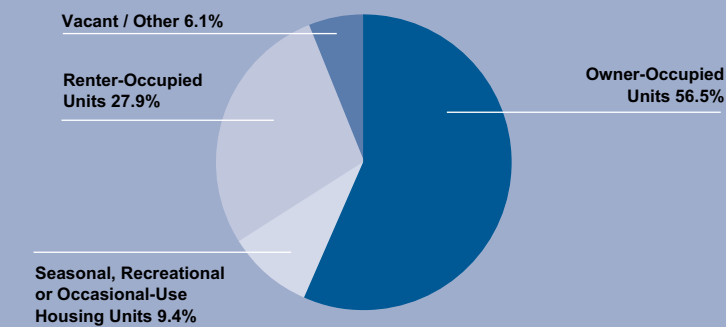
### Berkshire Region Home Ownership

	1990	2000	Difference
<b>Berkshire Region</b>	66.4%	56.5%	-9.8%
<b>Massachusetts</b>	59.5%	57.5%	-2.0%
<b>% Over/Under State</b>	6.9%	-1.0%	-7.9%

Source: U.S. Bureau of the Census, Decennial Population Census

figure 11-14

### Berkshire Region Housing Supply



Source: U.S. Bureau of the Census, Decennial Population Census

<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

<sup>12</sup> Estimate based on FY00 State room occupancy tax collections, which are levied at 5.7 percent of the room rate.

<sup>13</sup> Data describing change in race and ethnicity must be used with caution. For more information, see the Part II Introduction.



## Challenges to Future Growth

The Berkshires possess a mosaic of economic and social elements that do not optimally support economic development. There is a legacy of industrial development that left serious environmental problems amid great natural beauty. There are wealthy stakeholders who own property and invest in the Region, but are not full-time residents. While they bring income into the local economy, they also bid up the price of housing, particularly in the southern portion of Berkshire County, making it unaffordable for many households. The Region offers outstanding music, art, and dance, but lacks the social opportunities that will attract and hold young families and retain more highly mobile and tech-savvy young professionals.

This mosaic has implications for retaining a productive workforce. As the population continues to age and fewer young people are attracted to the area or choose to remain, opportunities for growth diminish. While young professionals are drawn to the natural beauty of the area, they also are concerned about costly housing, inadequate public transportation, and limited social opportunities.

**Lack of accessibility.** While the Massachusetts Turnpike provides an important connection to the east and west, the north-south transportation link does not meet the Region's needs. Nor does that link provide easy access to key markets or centers of science or technological research.

**Unskilled workforce.** The Region does not have an attractive base of young, talented, and well-educated workers. This is a major factor in business investment and location decisions and represents a significant competitive disadvantage.

**Depressed urban core.** It is often a region's "urban core" that offers young people and families the social opportunities they seek. Many of the Berkshire's cities – particularly Pittsfield – are under serious fiscal strain. While it may be tempting to try to locate large manufacturing facilities in these urban areas in the short term, doing so will not make these cities more attractive to the younger, more highly skilled workers the Region requires to grow. The successful remediation and redevelopment of vacant industrial space, such as the GE facility in Pittsfield, will be essential to the future growth of its urban centers. Improving the attractiveness of cities to highly-skilled younger workers will also be critical to the successful economic restructuring of these communities. The opening of facilities like the Massachusetts Museum of Contemporary Art (Mass MoCA) in North Adams is a good start.

**Distance from Boston.** The Region's relatively remote location remains both an economic and political disadvantage. Because of its remote location, the Berkshires remain isolated from the eastern Massachusetts economy and its recent growth. That isolation con-

tributes to an historic sense that State development strategies are not always relevant to the Region.

## Regional Policy Priorities

The Region has a number of important issues to address. In general, the issues should be taken up at the local and regional levels. Regional participation is important to avoid the "not in my backyard" syndrome.

**Urban development.** Given resistance to development in its more rural areas, there may be an opportunity to revitalize and redevelop those cities in the Region that both desire and can accommodate economic development.

**Environmental preservation.** Environmental preservation and cleanup are high on the list of priorities. Though this issue has received attention over the past decade, there is much work yet to be done.

**Affordable housing.** Providing affordable housing is especially difficult, given that lower- and middle-income housing carries with it the burden of higher public budgets without adequate tax-revenue offsets. Where to encourage housing development and what type of development is best are questions that must be addressed locally. The wise use of capital budgets for improving sewer, water, and roads will greatly influence where development takes place. Likewise, updating outmoded zoning ordinances would aid housing development.

**Transportation infrastructure.** Air and commuter rail service should link this Region to Boston and other major cities. Some key roadways have been improved, but additional effort is needed.

**Attracting professionals.** Attracting and keeping young professionals and families is essential. Urban development, improvements to public education, and the enhancement of cultural and social opportunities geared to young singles and families alike can help to stop the exodus of younger residents and workers from the Region.

**Regional planning.** "Bigger is better" might not be an appropriate theme for Berkshire County. Instead, it may be an ideal place to achieve a smaller, well-diversified economy based on sustainable development. Natural beauty, a fine reputation among upscale consumers, and a steadily declining industrial base all suggest that the wisest approach may be to recruit firms that can find competitive advantage in the Berkshire's idyllic environment and loyal base of well-to-do consumers. Evolving regional collaboration will help define a common vision and the coordinated actions needed to implement sound regional solutions.

## Linking the Region's Policy Priorities to Potential Solutions

Part 3 provides a variety of policy options that can help address the Region's economic development priorities. Figure 11-15 shows where to find relevant options.

figure 11-15

### Policy Options for Regional Priorities: Berkshire Region

Policy Priority	Policy Options, Under Desired Outcomes in Part III
Urban development	See "Massachusetts is a leader in implementing development strategies that provide a high quality of life," pg. 128. See "A Strong export industry clusters throughout Massachusetts" pg. 118
Environmental preservation	See "Massachusetts is a leader in implementing development strategies that provide a high quality of life," pg. 128.
Affordable housing	See, "Massachusetts implements housing affordability solutions to support growing businesses and their employees," pg. 128.
Transportation infrastructure	See "Massachusetts is a leader in implementing development strategies that provide a high quality of life," pg. 128.
Attracting professionals	See "Our firms have access to the talent they need to succeed," pg. 123. See "Massachusetts is a leader in implementing development strategies that provide a high quality of life," pg. 128. See "Access to affordable, competitive broadband options throughout the Commonwealth." pg. 126 See "Strong export industry clusters throughout Massachusetts." pg. 118 See "Reduced disparities in entrepreneurial opportunities." pg. 120
Regional planning	See "Massachusetts is a leader in implementing development strategies that provide a high quality of life," pg. 128. See "Strong export industry clusters throughout Massachusetts." pg. 118